

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2077 - SB 1886

March 17, 2011

SUMMARY OF BILL: Authorizes tax credits to certain qualified businesses up to 30 percent of business expenses resulting from an expansion within or relocation to counties with unemployment rates in excess of five percent. Any authorized tax credits may be utilized against the sum total of sales tax liability and franchise and excise tax liability. Establishes a rollover provision up to 10 years when authorized tax credits exceed a taxpayer's liability. Authorizes the Commissioner of Revenue to promulgate rules and regulations.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$25,750,000

Assumptions:

- The Department of Revenue (DOR) estimates that there will be approximately 206 businesses that will meet the qualifying criteria specified in this bill. This estimate is based on the assumption that 176 exiting Tennessee businesses will expand current operations and meet the proposed qualifying criteria, and that 30 new businesses will enter the state and meet the proposed qualifying criteria.
- DOR estimates an average annual tax credit of \$125,000 for each qualifying business. This estimate is based on multiple factors such as the extent of investment made by each qualifying business, the extent of tax liabilities for each qualifying business, utilization of the proposed carry-forward provision, the county that each business is domiciled in, and the unemployment rate for the county that each business is domiciled in.
- The recurring decrease in state revenue will be approximately \$25,750,000 (206 x \$125,000).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc